RESEARCH BRIEFING

THE MACRO (AND MICRO) VIEW: AUSTRALIAN APARTMENT PRICE GROWTH BY AREA SHOWS OBVIOUS DIFFERENCES

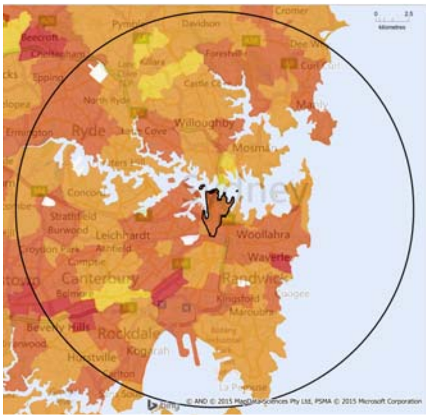
Apartment growth across individual Sydney, Melbourne and Brisbane postcodes has been indifferent over the past year. Levels of supply, localised economies and population movements all impacting the different performance of apartment pricing.

FIGURE 1

Average annual apartment growth (%) by postcode, year to June 2015

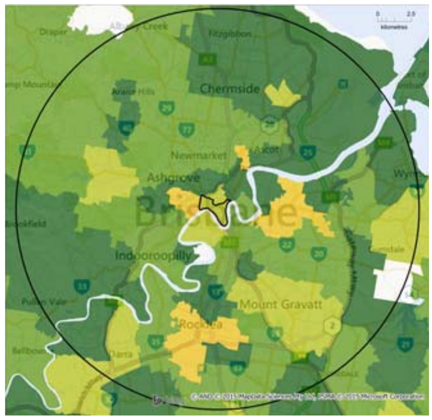
Maps showing a 15km radius from the centre of the 2000, 3000 & 4000 postcodes

SYDNEY



MELBOURNE

BRISBANE



HIGHER GROWTH

Source Residex, Knight Frank Research

LOWER GROWTH

At a macro level Sydney apartment prices have outperformed over the past year, compared with growth across its Eastern Seaboard neighbours Melbourne and Brisbane.

With buoyed economic conditions in Sydney, supported by new transport infrastructure, apartment price growth over the past 12 months in the harbour city has on average exceeded 15%, significantly above the national average of 6% for the same period. However, at a more micro level there are pockets of growth in both Melbourne and Brisbane which have matched Sydney growth levels, highlighting the impact of different drivers on singular micro markets. As a result, these maps suggest that investors and developers need to research markets before jumping in, as two neighbouring sub markets can be acting very differently.

At a more macro level, a key indicator and driver for Sydney's recent price growth above that of Melbourne and Brisbane has been the state of the economy and employment markets. In the two years to June 2015, there were over 88,000 net jobs created in Sydney, representing just under a third (29%) of Australia's net employment growth over the period. In comparison, Melbourne and Brisbane created 59,047 and 35,057 net jobs respectively over the same period.

Job creation and economic strength has fed through to downward trending unemployment levels. As at June 2015 unemployment stands at 4.9% for the Sydney metropolitan region, 5.7% in Melbourne and 5.3% in Brisbane metropolitan regions, although all trending below 12 months prior.

Another macro driver impacting housing markets is the slowdown in population growth (over the 12 months to December 2014, latest data). Despite remaining high by historical standards, population growth in the dominant resource states such as Queensland have fallen sharply, where the annual rate of growth fell 17% compared to growth in the previous year, thus contributing to a lowing population growth rate across Brisbane. On the other hand, the rate of population growth in New South Wales and Victoria remained relatively unchanged, supported by stronger economic prospects as discussed, therefore placing greater pressure on housing.

In many ways the recent round of price growth recorded across Sydney is also playing catch up following an extended period of weak growth from 2004 to 2009 which coincided with accumulated housing shortages. While apartment construction in Sydney has increased considerably over the past three years, a decade of limited housing construction and a surge in both domestic and overseas investors spurred on by historically low interest rates has ensured there is sufficient apartment demand to satisfy supply. This is reflected in lower vacancy rates (2.1% total vacancy in Sydney) and higher annual apartment rental growth across Sydney, 6.7% in June 2015, compared with 1.3% and 0% in Melbourne and Brisbane respectively.

RESEARCH & CONSULTING

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For more information on the residential market, commercial property sector or alternative asset classes, or if you require property due diligence or detailed market assessments, including socio-demographic profiling, supply and demand forecasts, competitor profiling and development recommendations, please contact Paul Savitz or Luke Crawford to discuss your research requirements.

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